

Understanding COBRA



When is COBRA the right option for a consumer?

September 22, 2017

Learning Objectives

- To understand what COBRA is, Who Qualifies For It and the Benefits It Covers
- To Understand Which Employers Must Offer It
- To Educate Consumers on the Timelines to Sign Up for COBRA
- To Educate Consumers on What To Consider When Deciding Whether Or Not to Enroll in COBRA Coverage

COBRA is a Law, Not a Health Plan

- What is the Consolidated Omnibus Budget Reconciliation Act (COBRA)?
 - Requires group health plans to provide a temporary continuation of group health coverage that otherwise might be terminated
 - Coverage is only available when coverage is lost due to certain specific events
- Employers decide whether or not they will contribute to their employee's premiums under COBRA. Consumers may be responsible for the entire monthly premium by themselves
- Group health coverage for COBRA participants is usually more expensive than health coverage for active employees
- Cost to COBRA participants- full premium cannot exceed 102 percent of the cost to the plan for similarly situated individuals who have not incurred a qualifying event

Who qualifies for COBRA?

- COBRA contains provisions giving certain former employees, retirees, spouses former spouses, and dependent children the right to temporary continuation of health coverage at group rates
- If the consumers' employer is required to comply with COBRA, then they are eligible for it after just having one day of coverage as an active member on their group health plan
- A COBRA “qualifying event” is what triggers a consumers' ability to exercise their COBRA rights

COBRA Qualifying Events

- Qualifying events:
 - Death of the current employee
 - An employee loses eligibility due to voluntary or involuntary termination or a reduction in hours as a result of resignation, discharge (except for “gross misconduct”), layoff, strike or lockout, medical leave, or slowdown in business operations
 - Divorce or legal separation that terminates the ex-spouse’s eligibility for benefits.
 - A dependent child reaching the age at which he or she is no longer eligible for active coverage under the group plan (generally age 26)
 - If one of these events causes you to lose active coverage, under COBRA you can stay on the plan for a certain period of time. This period of time varies on the situation.

How long can a consumer stay on COBRA?

- In most cases COBRA allows for extended coverage for up to 18 months
- Disability
 - If the COBRA participant is deemed disabled by the Social Security Administration, then coverage may continue for up to an additional 11 months
 - Total length of COBRA coverage is 29 months
- Divorce or death
 - COBRA participant who experiences a divorce or death qualifying event is eligible for an 18-month extension
 - Total length of COBRA coverage is 36 months

Timelines to Apply for COBRA Coverage

- Upon experiencing a qualifying event (e.g., losing their jobs), consumers have 60 days to decide whether to enroll in COBRA coverage
- If consumers choose to enroll in COBRA coverage, they have 45 days after making the election to pay the first month's premium
- COBRA coverage can retroactively begin on the date consumers' job-based insurance ended, as long as the election is made within the 60-day election period for COBRA coverage

Which employers need to offer COBRA?

- Employers with 20 or more employees are usually required to offer COBRA coverage and to notify their employees of the availability of such coverage
- COBRA applies to plans maintained by private-sector employers and sponsored by most state and local governments

What benefits must be covered by COBRA?

- Coverage must be identical to that available to similarly situated beneficiaries who are not receiving COBRA coverage under the plan (generally, the same coverage that the qualified beneficiary had immediately before qualifying for continuation coverage)
- A change in the benefits under the plan for the active employees will also apply to qualified beneficiaries
- Qualified beneficiaries must be allowed to make the same choices given to non-COBRA beneficiaries under the plan, such as during periods of open enrollment by the plan

COBRA Coverage and Eligibility for Marketplace Coverage

- How can Assisters help consumers decide if COBRA is the best option?
 - Many individuals and families may have better options in the Marketplace or through their spouse's employer
 - If consumers are eligible for COBRA coverage but have not made a COBRA coverage selection (i.e. have not yet signed up), they may still qualify for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSRs) through the Marketplace, if they are otherwise eligible
 - These consumers may be eligible for a special enrollment period to buy a Marketplace plan if they lost their employer-sponsored coverage within the last 60 days

Can you change from COBRA to a Marketplace plan?

If your COBRA is running out

If you're ending COBRA early

If your COBRA costs change because your former employer stops contributing and you must pay full cost

During Open Enrollment

Yes, you can change.

Yes, you can change.

Yes, you can change.

Outside Open Enrollment

Yes, you can change — you qualify for a Special Enrollment Period.

No, you can't change until the next Open Enrollment Period, your COBRA runs out, or you qualify for a Special Enrollment Period another way.

Yes, you can change — you qualify for a Special Enrollment Period.

To COBRA or not to COBRA?

- Things to consider when deciding between COBRA, or the Marketplace:
- Continuity of Coverage
- Access to Care
 - Providers Network
- Total Cost
 - COBRA coverage including premiums, deductibles, and co-insurance
- Quality of Care
- Potential Savings in the Marketplace

Resources

- <https://www.healthcare.gov/unemployed/cobra-coverage/>
- https://www.cms.gov/CCIIO/Programs-and-Initiatives/Other-Insurance-Protections/cobra_qna.html
- <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/faqs/cobra-continuation-health-coverage-compliance>